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SUBJECT: NEWFOUNDLAND-LABRADOR PROVINCIAL ELECTION: TORY SWEEP ENDS
LIBERAL HOLD

1. SUMMARY: There could be a new round of political wrangling between the federal government and the newly elected Progressive Conservative Party in Newfoundland-Labrador. In an October 21 provincial election campaign, the Tories led by the charismatic business leader Danny Williams, solidly toppled a 14-year Liberal hold on the province. A key plank in the successful Tory platform was a pledge to seek a new jurisdictional and fiscal arrangement with Ottawa over energy and other resource development, contentious issues that have the potential to cause friction. END SUMMARY

2. Newfoundland-Labrador Progressive Conservatives, under leader Danny Williams, crushed the incumbent Liberal government of Premier Roger Grimes in an October 21 provincial election. Williams, a successful business leader and lawyer from St. John's, led his party in capturing 34 of the 48 seats in the House of Assembly, a significant gain over their previous 19 seats. The Liberals, now the official opposition, saw their 27 seats reduced to 12, while the largely ineffectual New Democratic Party maintained the two seats they held before the September 29 election call.

3. The Tories' roll to a comfortable majority ended a 14-year Liberal hold on the province that saw Grimes as the last of four Liberal Premiers since 1989. However, Grimes ascension to the Premier's office in 2001 had come at a high price through a nasty and divisive leadership race. Election watchers reason that Grimes was never able to heal those wounds. Coupled with a general mood on the part of the electorate for a change, the combination spelled defeat even as Grimes was calling the election. Another significant factor was the popularity of Tory leader Williams, who like Grimes, took over his party in 2001. A Rhodes scholar and successful business leader, Williams is credited with single-handedly revitalizing the party and making it a formidable alternative to the Liberals.

4. With the focus now on the future, Premier-elect Williams is busy putting together his transition team and working out who will sit in his cabinet. Of importance to U.S. interests will be Williams' pick for heading up the Mines and Energy portfolio. Given that the Tory platform contains some tough talk on seeking greater control and ownership of energy resources and a new offshore revenue arrangement with Ottawa, Williams can be expected to pick one of the several seasoned veterans he has in the Tory caucus to spearhead this task. While evidently pleasing to the electorate, this commitment could very easily spark a high profile battle with the federal government and other provinces over issues such as jurisdiction of offshore oil and gas exploration and development, local content in energy projects and increased hydroelectric development in Labrador.

5. Comment: In voting overwhelmingly for a change in the leadership of the province, the voters in Newfoundland-Labrador will be getting just that, a new look in government. Williams' staff has been telling us all along that the new Premier is deeply committed to making some solid improvement in the province's economic status and wants to try ideas that have never been tried before. Just how much that will affect relations with Ottawa and the rest of the provinces is unclear at this point. What is perhaps more certain is Williams' reputation for not backing down on any issue, especially those that he views as having the potential to improve Newfoundland-Labrador's situation relative to the rest of Canada. END COMMENT

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